CHIEF ADMINISTRATIVE OFFICER
COUNTY OF LOS ANGELES

713 HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012
974-1101

HARRY L. HUFFORD
CHIEF ADMINISTRATIVE OFFICER

February 8, 1978

HONORABLE BOARD OF SUPERVISORS
County of Los Angeles
383 Hall of Administration

Real prop. tax Ca.
" -- L. A co.
Los Ang. co. -- App. & expen.

Gentlemen:

PROPOSITION 13 - PROPERTY TAX LIMITATION INITIATIVE

At the request of your Board, I have reviewed the property tax limitation initiative and prepared the following report of its implications for Los Angeles County. In summary, the enactment of the initiative would result in a critical situation unless the State enacts implementing legislation providing adequate funding for local government.

<u>IMPLICATIONS FOR LOS ANGELES COUNTY</u>

This analysis concentrates on four major issues which would be of concern to County government if the initiative is adopted.

I. <u>Revenue Loss Requiring Service Cutback</u>

The initiative would reduce County property tax revenues by 58%. Unless alternative resources were provided by the State, County services would have to be reduced accordingly. This would mean eliminating all nonmandatory functions such as the maintenance and operation of museums and beaches; greatly reducing mandatory services such as health, welfare and justice; and requiring the layoff of 20,000 County employees.

78 01013

II. Windfall to Business and the Wealthy

The initiative provides the same tax breaks given to low and middle income homeowners to major business, wealthy homeowners, all commercial and industrial property and apartment house owners. Property taxes are the one certain way government has had to insure that all taxpayers pay a share of the cost of education, health, welfare and justice and other local services. Business and the rich would be relieved of 2/3 of their share.

III. Uncertainty will Result in Critical Problems During Implementation

The vagueness of the initiative itself and uncertainty due to the absence of implementing legislation would result in massive problems due to competing demands for continuation of services and the need for legal interpretation of provisions of the initiative. Most of these problems would be resolved for County government by enactment of Supervisor Hayes' tax initiative which your Board has supported. However, passage of the Hayes initiative is not possible until November 1978, leaving a six months hiatus.

IV. Impact on Homeowners

Some alternative will have to be found to the lost property tax revenues to insure that there are sufficient funds to cover the cost of schools, justice, health, welfare and other essential services. Homeowners now pay only 37% of the property tax. Unless there is a restructuring of the State taxes homeowners will pick up a larger share of the new taxes that are raised through increased sales, income and property taxes.

Following is a detailed analysis of these problem areas.

Revenue Reduction and Service Cutbacks

-- Los Angeles County's property tax revenues would decrease by $755.6 million or 58% beginning in fiscal year 1978-79. The remaining property tax revenues of $542.6 million would be insufficient to cover existing mandatory commitments as follows:

Available property revenue under (Jarvis-Gann) initiative		$542.6
<u>1978-79 property tax requirements</u>		
- Medi-Cal/SSI-SSP shares	$216.0	
- Local share of welfare (including general relief)	$153.9	
- Local share of indigent health care and Short Doyle	$188.4	
- Local share of the courts & justice system	$321.2	
- Contractual & lease obligations including JPA & NPC bonds	$26.4	
- Contractual obligations to the Music Center, Art Museum, Air Pollution Control	$14.7	
- Support services and other mandatory costs less revenue sharing & non-departmental revenue	$239.7	
Subtotal		$ 1160.3
Net deficiency in financing the mandatory programs		($ 617.7)
In addition, no funds would be available for nonmandatory services such as parks, beaches, probation camps, museums, agricultural services, etc. Estimated 1977-78 costs for these services amount to :		137.9
Total		($ 755.6)

-- Serious problems would also occur for County Special Districts. For example:

	Revenue Loss (in millions)	Percent Cutback
Consolidated Fire Protection District	$34.1	61%
Flood Control (general fund)	22.0	70%
Library District	12.5	60%
Lighting Maintenance Districts (combined)	2.7	70%
Sewer Maintenance Districts (combined)	2.7	70%
Sanitation Districts (combined)	22.9	66%

Since these districts have no other major revenue source than the property tax, it is clear that reductions in staff, facilities, and services would be required equal to the reduction in property taxes. We have attached an analysis of impact of services prepared by the administration of each district. (Attachment I).

Cash Shortage

A critical cash flow situation could develop during July and August of 1978 (if the initiative passes) due to the uncertainty and confusion which would result unless enabling legislation is approved prior to passage of the initiative. It appears unlikely that the County and other local governments in the State could borrow cash from the private sector under these circumstances. In addition, it is apparent that all jurisdictions will have similar cash problems eliminating the possibility of Interagency borrowing within the treasury pool.

Since July and August are "dry" periods when cash receipts are limited, the County could be unable to meet its obligations to pay:

- Existing lease payments
- welfare recipients payrolls
- County employees remaining on the payroll
- layoff (termination pay) and unemployment insurance benefits to employees who were discharged due to required cutbacks
- payments due to local vendors

Required reduction in County workforce and programs

All or part of the salary of 43,000 of the County's 75,000 employees is paid from the property tax. If County property tax dollars are reduced by 58% in 1978-79 by the initiative without immediate replacement dollars from the State, about 20,000 or 30% of our employees would have to be laid off or terminated.

On June 7, 1978, if the initiative passes and no alternative tax source has been identified, the governing bodies of all counties, cities, school districts and special districts in the State will be faced with the necessity of making huge reductions in expenditures and staff in order to operate within the reduced tax dollars available. The Chief Administrative Office and County departments should begin to develop layoff listings for employees which meet the criteria of our Memoranda of Understanding, Civil Service regulations and State law. In addition, a service reduction program which would bring County services down to the level of financing available under the initiative should be developed so that it is available to your Board for decision making should the initiative be adopted.

If the initiative is approved, unless implementing legislation is adopted before or immediately after the initiative, the County will be forced to layoff even higher numbers of employees to insure that there are sufficient funds available to pay termination benefits and unemployment insurance for those laid off.

TAX ADVANTAGES TO BUSINESS AND WEALTHY TAXPAYERS

-- There would be a windfall to the wealthy, big business and apartment house owners as follows:

- Wealthy families would receive the same tax reduction under the proposal as other homeowners. Property owned for speculative purposes would also get the same tax break as that given to the homeowner. Property taxes are the one tax which the wealthy do not escape. If personal income taxes are increased to make up the property tax loss, the wealthy could actually end up contributing a lower share of the total taxing effort due to current tax law advantages provided to the rich.

- Big business would receive the same tax breaks as the small homeowner. Attachment II shows the impact on the ten largest taxpayers. There is nothing in the initiative which requires the savings to be passed on to consumers. We are uncertain if of 1% limitation applies to utilities, the telephone company, railroads and other agencies assessed by the State Board of Equalization, since the initiative is not clear on its application to property not assessed by local Assessors.

- Apartment house owners would receive a huge reduction in tax expenditures. There is nothing in the initiative requiring the property tax savings to be passed on to renters and no way to enforce such a pass-on without the creation of a bureaucracy to enforce it.

-- A dramatic tax shift would result from the increase in Federal and State income taxes due to reduced property tax deductions caused by the tax rate reduction. We estimate that roughly 13.5% of the reduction or $1 billion would go to the Federal government in increased income taxes and about 4.0% or $250 million to the State. The initiative does not include any indication of how this money would be used to either provide local government services or to reduce taxes. In addition, the State would save about $550 million in homeowners exemption funds, which is also not addressed in the initiative.

CRITICAL PROBLEMS CAUSED BY UNCERTAINTY

-- In addition to the basic financial concerns, implementation of the initiative if it is adopted would result in serious problems due to vagueness, lack of implementing legislation, and the short time (less than three months) from election to the 1978-79 tax levy setting on September 1, 1978. These problems include:

- No method is prescribed for distributing taxes raised under the one percent levy among jurisdictions. For the purpose of this letter, we have assumed that the distribution would be based on the current share received by each jurisdiction.

- No priorities are established among mandated services, making it impossible for County government in particular to choose which State and Federally required programs would continue to operate, and which legal obligations (such as leases for buildings which might no longer be necessary due to reduced services and other contractual obligations) would be paid. Unless alternative financing were made immediately available, a procedure similar to bankruptcy could result since there would not be sufficient funds to meet such legal obligations as welfare costs, contractual payments, etc.

The initiative proposed by Supervisor Hayes would resolve these problems at least as far as County government is concerned by making the State responsible for financing $800 million in programs currently financed with County property taxes. However, the Hayes initiative cannot be enacted until the general election in November, 1978. A legislative plan to handle County financing would be required during the six month period between the primary and general elections.

- The Assessor and Auditor-Controller have concluded that it would be impossible to comply with requirements of the initiative that the 1978-79 tax roll be based on the 1975-76 tax roll (plus 2% annual increases) in time to levy taxes for 1978-79. The 1975-76 tax roll no longer exists in computerized form and would have to be manually recreated and updated to reflect property changes which took place since 1976. In addition, the use of the 1975-76 tax rate would perpetuate any inequities which existed on that roll. Since every property is reassessed every year--any attempt to equalize the roll would be complicated and might not be allowable under the initiative. These problems are explained in detail in Attachment III.

Impact on Individual Taxpayers

Though there is no requirement in the initiative for the State to provide replacement revenues to local government it is certain that revenues will have to be raised to provide basic health, education, welfare and justice services required by State or Federal laws or the Constitution. Funds will also be necessary to insure that local governments will have sufficient funds to pay for legal obligations such as contracts, leases and payments or nonvoted debit.

Currently property taxes in the State are paid 37% by homeowners and the balance of 63% by commercial, industrial and rental and rental property. The major State taxes currently are paid by individuals.

	% Paid by Individuals	(Millions) Money Paid by Individuals	% Paid by Business	Money Paid by Business	Total Money
Sales tax	75	$ 3,761	25	$1,254	$5,015
Personal income tax	85	3,897	15	688	4,585
Bank & corporation tax	-0-	-0-	100	1,900	1,900

Unless there is a significant restructuring of the existing State taxing system, homeowners and other individuals will pick up a significantly greater share of the costs of education and local government than they currently pay in property taxes. Such a restructuring may be difficult since the Jarvis amendment requires a 2/3 legislative majority to raise any existing tax or implement a new tax.

If implementing legislation is enacted prior to the June election, or after assuming the initiative is approved, it is essential that business continue to pay at least its current share of taxes. Senator Rodda will introduce a bill which appears to meet this condition by increasing sales tax by 1¢ or 16.7%, income taxes by 20%, the bank and corporation tax by 40% and imposing sales tax on professional services in order to raise funds for replacement revenue. A bill of this type is essential to insure adequate replacement revenue for local government if the initiative passes.

County staff and CSAC should work with Senator Rodda to make certain the bill insures:

-- That local governments receive full reimbursement for property tax revenues lost subject to reasonable limitation on future taxes.

-- That tax relief given to apartment house owners is passed on to the tenants.

-- That replacement revenue is provided for Federal revenue sharing funds lost by local government due to the impact of the initiative.

I intend to take the following actions in order to avoid the problems which would result if the initiative is adopted due to the uncertainty of the implications it would have on local government financing:

A. Work with the County Counsel, and staff of CSAC and the League of Cities to define the legal problems which would result from the initiative with particular reference to distribution of taxes, allocation of remaining resources, and problems concerning first year implementation.

B. Work with the Assessor, Auditor-Controller, Treasurer-Tax Collector and County Counsel to cooperate with State agencies in the analysis of problems in the development of implementing legislation.

C. Develop necessary personnel procedures so that cost reductions can be implemented which will conform to the financial limitations of the initiative.

D. Work with County Counsel and department heads to develop a service level reduction plan for consideration by the Board should the initiative be enacted.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Urge the Legislature to adopt a balanced tax reform plan providing meaningful tax relief to homeowners, controls on local government financing, and replacement revenues for local government. The program should go into effect only if the Jarvis-Gann initiative fails. The Legislature should make certain that the program receives broad coverage so that the public is aware of it as an alternative to the initiative.

2. Urge the Legislature to immediately adopt legislation providing the alternative tax authority necessary to implement the Jarvis-Gann initiative. This will enable the voters to understand the actual implications of the initiative.

3. Urge the County Supervisors Association of California, Legislative Committees, and the State Board of Equalization to appoint a task force to review such problems as the requirement to develop 1975-76 property values and other technical problems resulting from the initiative, develop an implementation plan and propose any necessary enabling legislation so that it can be enacted immediately if the initiative is approved by the voters.

Very truly yours,

Harry L. Hufford

HARRY L. HUFFORD
Chief Administrative Officer

HLH:MLG:hi
Attachment
cc: Each Supervisor
County Counsel
Assessor
Auditor-Controller
Treasurer-Tax Collector
Legislative Representatives

Attachment I

February 1, 1978

T-3
850.22

Mr. Harry L. Hufford
Chief Administrative Officer
Chief Administrative Office
County of Los Angeles
500 West Temple Street

Dear Mr. Hufford:

STREET LIGHTING
JARVIS AMENDMENT

Mr. Lloyd Halstead has advised that lighting district revenues would probably be reduced by about 70 percent if the Jarvis Amendment is adopted. We do not know of any other source of funds that would be available for lighting district purposes therefore the only options appear to be:

1. Approval of new source by 2/3 of benefiting property owners.

2. Turn off approximately 70 percent of our street lights. These lights would have to be removed since Edison assesses a facilities charge, averaging about 45 percent of the full service cost if the lights remain in place and this would exceed our estimated revenue.

If the lights were subsequently reinstalled within a 5 year period the lighting district would have to pay both removal and reinstallation costs.

Very truly yours,

I. L. Morhar

I. L. MORHAR
Road Commissioner

C(40)
COH:vm

T & L DIVISION

STEPHEN J. KOONCE
ACTING COUNTY ENGINEER

COUNTY OF LOS ANGELES
DEPARTMENT OF COUNTY ENGINEER
550 SOUTH VERMONT AVENUE
LOS ANGELES, CALIFORNIA 90020
974-7111

JAMES T. ROSTRON
CHIEF DEPUTY
IRA H. ALEXANDER
ASST. CHIEF DEPUTY
GEORGE J. FRANCESCHINI
ASST. CHIEF DEPUTY
COLEMAN W. JENKINS
ASST. CHIEF DEPUTY
RICHARD T. REID
ADMINISTRATIVE DEPUTY

January 30, 1978

Mr. Harry L. Hufford
Chief Administrative Officer
County of Los Angeles

Dear Mr. Hufford:

IMPACT OF 70% REDUCTION IN SEWER
MAINTENANCE DISTRICT FUNDS

You have estimated that the Jarvis Amendment will cut back 70% of Sewer Maintenance District property tax funds. You have requested a statement from us relative to the impact of such a cut back. The present year total district tax levy comprised \$3,917,022. Seventy percent of this represents a total of \$2,741,915. If the districts were faced with this type of budget reduction, the districts, in essence, would cease to operate. Of our total budget, an amount of \$100,000 is fixed costs such as power and water bills. Deducting this amount from the tax resources provided by the Jarvis Amendment would leave us with only \$1,075,107 to fund personnel and services and supplies. Salaries are 74% of this total, or \$795,579. This would fund only 35 positions as compared to our present budgeted staff of 124.

With these limited funds, no preventive maintenance on pumps and lines could be carried out and sewer stoppages as they occur could not be corrected in an expeditious manner. Sewer service would be terminated or sewers would back up into private property with liability clearly resting on the County. Eventually, the whole \$3/4 billion system would fail and since it could not be repaired in a timely manner, the entire system would grind to a slow halt with sewer service not available for approximately 2,000,000 residents of the County. I need not elaborate the consequences to the health and welfare of the community.

There are also a number of zones which have contractual agreements with other agencies for conveying and/or treatment of sewage. Funds would not be available to meet these contractual obligations, thereby resulting in the loss of use of their facilities.

If we can supply more detailed information, please advise.

Yours very truly,

Stephen J. Koonce
ACTING COUNTY ENGINEER AND
DIRECTOR OF FACILITIES

SJK:mw 1

L O S A N G E L E S C O U N T Y P U B L I C L I B R A R Y S Y S T E M

DATE: January 30, 1978

TO: Meg Gilbert

FROM: Ben Bailey

SUBJECT: JARVIS INITIATIVE

This is in summary of Mr. J. R. Robb's telephone conversation of Friday, January 27, 1978, regarding the effect of passage of the Jarvis Initiative on the County Public Library System.

Because the Library System is a special fund department with a very heavy ratio of its income derived from property tax (97.5%), the Jarvis Amendment would have a greater impact upon our department than perhaps on departments deriving a greater percentage of revenue from other than the property tax. A net loss of $12.5 million from the Library tax revenue, i.e. a 60% loss in tax, would require the following service reductions:

1. Closure of 45 libraries throughout the County. 93 libraries are currently in operation.

2. Discontinuance of all morning hours of service.

3. Discontinuance of service on Saturday and Sunday.

4. A termination of 585 fulltime equivalent employees out of the current fulltime 997 equivalent employees.

5. Discontinuance of special programs such as children's story hours, family film programs, etc.

6. Elimination of all capital projects with the exception of those under construction or ready for occupancy.

COUNTY OF LOS ANGELES

FIRE DEPARTMENT

POST OFFICE BOX 3009, TERMINAL ANNEX
LOS ANGELES, CALIFORNIA 90051

267-2426

"SMOKE DETECTORS SAVE LIVES"

CLYDE A. BRAGDON, JR.
FORESTER & FIRE WARDEN

CHIEF ENGINEER
FIRE PROTECTION DISTRICTS

FIRE CHIEF
OF THE CITIES OF

ARTESIA
BALDWIN PARK
BELL
BELLFLOWER
BELL GARDENS
BRADBURY
CARSON
CERRITOS
CLAREMONT
COMMERCE
CUDAHY
DUARTE
GLENDORA
HAWAIIAN GARDENS
HIDDEN HILLS
HUNTINGTON PARK
INDUSTRY
IRWINDALE
LA CAÑADA FLINTRIDGE
LAKEWOOD
LA MIRADA
LA PUENTE
LAWNDALE
LOMITA
MAYWOOD
NORWALK
PALMDALE
PARAMOUNT
PICO RIVERA
RANCHO PALOS VERDES
ROLLING HILLS
ROLLING HILLS ESTATES
ROSEMEAD
SAN DIMAS
SIGNAL HILL
SOUTH EL MONTE
SOUTH GATE
TEMPLE CITY
WALNUT
WHITTIER

STANLEY E. BARLOW
CHIEF DEPUTY

January 27, 1978

TO: MEG GILBERT, LEGISLATIVE ANALYST
CHIEF ADMINISTRATIVE OFFICE

FROM: DIVISION FIRE CHIEF JOSEPH ROTELLA, JR. JR
LOS ANGELES COUNTY FIRE DEPARTMENT

SUBJECT: JARVIS INITIATIVE - IMPACT ON
CONSOLIDATED FIRE PROTECTION DISTRICT

If successful, the provisions of the Jarvis Initiative will have a significant impact on the County of Los Angeles Consolidated Fire Protection District. Loss of District revenue has been estimated at approximately 61 percent, which represents about 34.1 million dollars.

A reduction in District revenue such as this could result in the elimination of all paramedic rescue service and at least one-half of the existing District fire stations. It is obvious that the reduced level of protection provided would be detrimental to the safety and welfare of the public.

JR:ed

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
P.O. BOX 2418, TERMINAL ANNEX
LOS ANGELES, CALIFORNIA 90051
TELEPHONE 226-4101

A. E. BRUINGTON
CHIEF ENGINEER

HOWARD H HAILE
CHIEF DEPUTY ENGINEER

ASS'T. CHIEF DEPUTY ENGINEERS
OMER D. HALL
CHESTER MAGNESS
JOHN M. TETTEMER

ADMINISTRATIVE DEPUTY
JAMES T. DAVIS

January 27, 1978

IN REPLY PLEASE REFER TO
FILE NO. 2-5.12
Impact of the
Jarvis Initiative

Mr. Harry L. Hufford
Chief Administrative Officer
713 Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Attention Miss Margaret Gilbert

Dear Mr. Hufford:

Miss Margaret Gilbert of your office requested that we inform you of the effect that the Jarvis Initiative would have on the operations of the Flood Control District. She requested that we base our analysis on the impact that it would have on our 1977-78 budget financing considering that the Jarvis Initiative would result in a 70 per cent loss of tax revenue to the District.

The impact that the Jarvis Initiative would have on the District is estimated as follows:

1. There would be a loss of revenue based on our 1977-78 budget financing of $21,948,000 for the Flood Control District General Fund and $3,940,000 loss of revenue for the Drainage District Improvements General Fund.

2. About 800 employees from a staff of 1,300 employees would have to be laid off.

3. No new facilities could be constructed.

4. No upgrading or updating of facilities could be made.

5. There could be no major repairs to existing facilities, dams, debris basins, spreading grounds, channels, storm drains, pumping plants, etc. The ultimate effect would be that in time, flood control facilities would become inoperable and/or unsafe and would cease to provide flood protection to the residents within the District's boundaries.

6. No contracts would be let for construction work.

Sufficient funds would remain to provide for minimal maintenance of the District flood control and water conservation systems. All other programs would be discontinued or drastically curtailed, including flood plain management, planning, public assistance, hydrological monitoring, and use of the District's facilities for recreation and other purposes.

Yours very truly,

A. E. Bruington

A. E. Bruington, Chief Engineer

FLC:ajc

TAX SAVINGS UNDER PROPOSITION 13 TO L.A. COUNTY'S LARGEST TAXPAYERS *

	Taxable Value	1977-78 Taxes	Taxes Under Initiative	Savings
Pacific Telephone	$ 561,583,370	$ 73,300,962	$25,950,768	$47,350,194
Southern California Edison	410,662,840	51,442,181	18,976,730	32,465,451
General Telephone Company	276,825,140	34,327,476	12,792,090	21,535,386
Southern California Gas Co.	133,351,000	14,392,681	6,162,150	8,230,531
Thums	122,964,595	11,842,248	5,682,194	6,160,054
Texaco Incorporated	84,570,405	10,665,850	3,907,998	6,757,852
Atlantic Richfield	88,541,722	10,627,949	4,091,513	6,536,436
Standard Oil of California	190,324,945	10,485,440**	8,794,492	1,690,948
Lockheed Aircraft Corporation	81,211,065	10,365,397	3,752,763	6,612,634
McDonnell Douglas Corporation	81,342,620	10,133,875	3,758,842	6,375,033

* Assumes that State assessed properties are subject to same limitations as County assessed properties

** The low ratio of taxes to assessed value is because most Standard Oil property is located in El Segundo which has a tax rate of $7.73. The most common tax rate in Los Angeles County is $13.79

As previously reported, implementation of the Jarvis-Gann Amendment will result in significant administrative problems for the concerned County departments and will require enactment of favorable enabling legislation to permit compliance with the intent of the initiative. Outlined below are some of the major problem areas, implementation costs, and brief descriptions of enabling legislation requirements:

Administrative Problem Areas

-- The short-time span for implementation of the initiative would require use of the 1978-79 real property values for the first year rather than the adjusted 1975-76 values as allowed in the initiative. This would result in subsequent refunds of over-collections and in some cases supplemental billings for under-collections of real property taxes. This over- or under-levy of real property taxes would not meet the letter of the initiative for the 1978-79 fiscal year, but is the only practical solution to the administration of real property taxes for the 1978-79 fiscal year.

-- A method for apportionment of real property taxes among the various agencies and jurisdictions would have to be established through enabling legislation. The County must take an active role in proposing a form of revenue distribution.

-- Determination that personal property is not subject to the 1% limitation and would continue to be assessed and taxed according to existing procedures.

-- In order to provide for equitable taxation of property owners it is necessary that all properties be equalized at the 1975 value level rather than using the 1975 roll as the base. This would require changing values on all properties that were not reappraised in 1975.

-- Clarification of the intent of the initiative regarding new construction must be achieved. The Assessor must be provided with guidelines establishing the parameters for new construction. For example, would an assessment change be warranted for the enti property in the case of relatively minor construction such as room additions, swimming pools, or other renovations?

-- Transfer of property ownership may be concealed from the public record to avoid reappraisal.

-- The intent of the Jarvis initiative must be clarified regarding real property such as fixtures which now appear on the unsecured roll.

Legislative Requirements

To permit compliance with the amendment, enabling legislation must deal with the points raised above and should include:

- -- Permission for counties to use the 1978-79 roll during the first year the Jarvis-Gann Amendment is in effect.
- -- A uniform state-wide formula for distribution of tax revenues among various jurisdictions.
- -- Clarification that personal property will continue to be taxed on the existing basis.
- -- A requirement that the basis for future property taxation be the true 1975-value level and not the amount reflected on the 1975 roll.
- -- A precise definition of what is meant by "newly constructed."
- -- Clarification as to whether or not a transaction is considered to be a transfer of property in such situations as life tenancy, divorce settlements, surviving spouse, or a change made for inheritance tax purposes. It must also be made legally mandatory that all property transfer instruments be recorded.
- -- Guidelines for the treatment of real property now included on the unsecured roll.

Implementation Costs

Implementation costs for the Jarvis-Gann initiative, which represents a net additional expense to the County are estimated at $5,462,014. This figure includes $675,767 for the Auditor-Controller and $4,786,247 for the Assessor and Data Processing Departments. Additional costs for the Treasurer-Tax Collector are not included in the above figures but are considered to be minimal.

CHIEF ADMINISTRATIVE OFFICER
COUNTY OF LOS ANGELES

713 HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012
974-1101

HARRY L. HUFFORD
CHIEF ADMINISTRATIVE OFFICER

March 16, 1978

To: All Department and District Heads

From: Harry L. Hufford, CAO

Subject: PROPOSITION 13 - PROPERTY TAX LIMITATION PROGRAM AND STAFF REDUCTIONS

On February 8, 1978, I reported to the Board of Supervisors the implications of the property tax limitation initiative on Los Angeles County. The analysis concentrated on four major issues:

-- Revenue Loss Requiring Service Cutback

-- Tax Windfalls

-- Uncertainty Resulting in Critical Problems During Implementation

-- Impact on Homeowners

The first issue is of major concern to County management. Should the initiative pass in the June 6 primary election, Los Angeles County's property tax revenues would decrease by $755.6 million, or 58 percent, beginning in fiscal year 1978-79. Without immediate replacement revenue from the State, about 20,000, or 30 percent, of our employees would have to be laid off or terminated.

To be prepared to operate within these severe financial restrictions, we must immediately begin preparation of contingency plans. Therefore, I am asking each of you to provide me with a list of programs that you would eliminate or curtail in the event that the Jarvis initiative passes. In each case, I will need a brief description of the program, an indication as to whether you would eliminate it or curtail (in the instance of curtailment, indicate to what extent), and the number of positions and net County cost that would be saved by your action. In addition, I need a brief statement of the impact of such reduction or curtailment.

These program statements should be submitted to my office by March 31. My budget staff will immediately review these and return approved or modified plans to you. As soon as you have

received the approved reduction plan, please prepare seniority lists based on continuous service dates for all classes which would be affected by the required layoff or reduction. Indicate for each class the number of positions to be laid off or reduced. These seniority lists, with indications of layoffs and reductions, should be submitted to the Department of Personnel as soon as possible after you have received the approved reduction program and in no event later than April 28.

As a general guideline I believe, in order to provide minimum mandatory public services under the Jarvis initiative, it will be necessary to eliminate all non-mandatory programs. For purposes of this review, the mandatory and non-mandatory nature of programs will be that set forth in the 1977-78 Program Analysis-Goals and Objectives filed by my office with the Board in May 1977. However, you should assume that those programs deemed mandatory as a result of the Beilenson Act (Health Services) or acquisition or construction grants (e.g., beaches, service centers, etc.) will not be mandatory in the event Proposition 13 passes.

All necessary discussions with County employee organizations will be coordinated by the Employee Relations staff of the Department of Personnel. Any required layoffs or reductions will follow the general procedures initially communicated to you in September 1976. Copies of this procedure will be provided to you again when your approved program reduction is returned to you in early April.

HLH:TLR
RBD:tlg
Attachment
cc: Each Supervisor